

## Message Text

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NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

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FM USMISSION NATO

TO SECSTATE WASHDC 3786

SECDEF WASHDC

INFO ALL NATO CAPITALS 5512

USNMR SHAPE

USCINCEUR

USLOSACLANT

CINCLANT

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 5307

E.O. 11652: GDS

TAGS: MPOL, NATO, UK

SUBJ: US/UK MEMORANDUM OF UNDERSTANDING (MOU)

REF: A. USNATO 5269 DTG 261555Z SEP 75 (NOTAL)

B. USNATO 5217 DTG 241720Z SEP 75 (NOTAL)

1. HERewith TEXT OF LETTER ON SUBJECT, DATED SEPT 29, 1975, FROM  
AMB PECK (UK) TO AMB KRAPF (FRG), A COPY OF WHICH WAS SENT OTHER  
NATO AMBASSADORS IN EUROGROUP AND AMB BRUCE. THIS LETTER FORWARDED  
COPY OF MOU, WHICH WE ALSO TRANSMIT FOR INFORMATION.

BEGIN TEXT OF LETTER:

1. FOLLOWING MY LETTER OF 23 SEPTEMBER TO YOU AND TO OUR EUROGROUP  
COLLEAGUES ABOUT THE PROPOSED MEMORANDUM OF UNDERSTANDING BETWEEN  
THE UK AND THE US ON THE RECIPROCAL PURCHASING OF DEFENSE EQUIPMENT,  
I HAVE NOW RECEIVED COPIES OF THIS MEMORANDUM, WHICH WERE SIGNED BY  
MR MASON AND MR SCHLESINGER LAST WEEK. I ENCLOSE A COPY OF THE  
MEMORANDUM, WHICH IS CLEARLY OF GREAT SIGNIFICANCE BOTH AS REGARDS  
STANDARDISATION OF EQUIPMENT WITHIN NATO AND ALSO AS A STEP  
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FORWARD ON THE "TWO-WAY STREET". THE UNITED KINGDOM'S PURCHASES OF  
DEFENCE EQUIPMENT FROM THE UNITED STATES, LIKE THOSE OF OUR  
EUROPEAN ALLIES, HAVE ALWAYS GREATLY EXCEEDED PURCHASES IN THE  
OTHER DIRECTION; IT IS TRUE THAT WE HAVE HAD VARIOUS OFF-SET

ARRANGEMENTS WITH THE US BUT THEY HAVE NOT IN GENERAL PROVED VERY SATISFACTORY. THE MAIN PROCEDURAL OBSTACLE HAS OF COURSE BEEN THE "BUY AMERICAN" RULES AS INTERPRETED BY THE DEPARTMENT OF DEFENCE, UNDER WHICH ANY BID MADE IN COMPETITION WITH A US BID HAS, AS YOU KNOW, BEEN HANDICAPPED BY A 50PERCENT NOMINAL ADDITION TO THE BID PRICE. OUR NEW MOU IS INTENDED TO REMOVE THIS "BUY AMERICAN" HANDICAP; AND IT IMPOSES AN OBLIGATION ON THE TWO GOVERNMENTS TO SEEK TO BRING ABOUT A LONG TERM AND EQUITABLE BALANCE IN RECIPROCAL PURCHASES OF DEFENCE EQUIPMENT. MACHINERY TO GIVE EFFECT TO THIS WILL NOW BE SET UP.

2. THIS MOU CLEARLY ILLUSTRATES THE SORT OF ARRANGEMENT WHICH WE HOPE TO NEGOTIATE IN DUE COURSE ON A EUROGROUP BASIS, AND INDEED WE HOPE IT WILL BECOME A MODEL, WHICH CAN BE FOLLOWED TO OUR COMMON ADVANTAGE IN SUBSEQUENT EUROPEAN/NORTH AMERICAN ARRANGEMENTS.

3. I AM SENDING A COPY OF THIS LETTER TO OUR EUROGROUP COLLEAGUES AND TO AMBASSADOR BRUCE. END TEXT OF LETTER.

BEGIN TEXT OF MOU:

THE GOVERNMENT OF THE UNITED STATES (USG) AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (HMG), HEREINAFTER REFERRED TO AS THE GOVERNMENTS, ARE DEVELOPING HIGH TECHNOLOGY WEAPONS SYSTEMS AND OTHER ADVANCED ITEMS OF DEFENSE EQUIPMENT AND ARE SEEKING TO ACHIEVE GREATER COOPERATION IN RESEARCH, DEVELOPMENT, PRODUCTION AND PROCUREMENT IN THESE AREAS IN ORDER TO MAKE THE MOST RATIONAL USE OF THEIR RESPECTIVE INDUSTRIAL, ECONOMIC AND TECHNOLOGICAL RESOURCES, TO ACHIEVE THE GREATEST ATTAINABLE MILITARY CAPABILITY AT THE LOWEST POSSIBLE COST, AND TO ACHIEVE GREATER STANDARDIZATION AND INTEROPERABILITY OF THEIR WEAPONS SYSTEMS.

THE GOVERNMENTS ALREADY HAVE AN ARRANGEMENT DATED MAY 1963 FOR JOINT MILITARY DEVELOPMENT AND THE USG HAS CERTAIN OFFSET ARRANGEMENTS WITH HMG AGAINST PURCHASES BY HMG OF MAJOR WEAPONS SYSTEMS AND ITEMS OF DEFENSE EQUIPMENT.

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IN ORDER TO FURTHER THE ABOVE AIMS, THE GOVERNMENTS HAVE DECIDED TO ENTER INTO AN UNDERSTANDING AND THIS MEMORANDUM SETS OUT THE GUIDING PRINCIPLES GOVERNING MUTUAL COOPERATION IN DEFENSE EQUIPMENT PRODUCTION AND PURCHASING AND ASSOCIATED OFFSET ARRANGEMENTS. THIS MEMORANDUM IS INTENDED TO FIT INTO THE BROADER CONTEXT OF NATO RATIONALIZATION/STANDARDIZATION AND TO BE COMPATIBLE WITH ANY NATO ARRANGEMENT THAT MIGHT SUBSEQUENTLY BE NEGOTIATED.

SECTION A: PRINCIPLES GOVERNING RECIPROCAL DEFENSE PURCHASING

1. EACH GOVERNMENT HAS ESTABLISHED ITS POLICIES FOR STRENGTHENING THE MECHANISMS ESSENTIAL TO INCREASING COOPERATION IN RESEARCH,

DEVELOPMENT, AND PRODUCTION AND PROCUREMENT OF MILITARY SYSTEMS. IN KEEPING WITH THESE POLICIES, AND IN THE INTERESTS OF ENHANCING THEIR MUTUAL SECURITY AND TO ASSIST THE GOVERNMENTS IN DISCHARGING BETTER THEIR MUTUAL DEFENSE OBLIGATIONS, IT IS UNDERSTOOD THAT THE GOVERNMENTS WILL COOPERATE IN ALL RESPECTS PRACTICABLE, TO THE END THAT DEFENSE EQUIPMENT PRODUCTION AND PROCUREMENT EFFORTS OF THE TWO COUNTRIES BE ADMINISTERED SO AS TO ASSURE THE MAINTENANCE OF A LONG TERM AND EQUITABLE BALANCE IN RECIPROCAL PURCHASING OF DEFENSE EQUIPMENT. THIS BALANCE WILL BE AT LEVELS TO BE MUTUALLY DETERMINED.

2. THE FOLLOWING PRINCIPLES TO FACILITATE THESE OBJECTIVES HAVE BEEN DECIDED UPON BY THE GOVERNMENTS:

A. BOTH GOVERNMENTS WILL PROVIDE APPROPRIATE POLICY GUIDANCE AND ADMINISTRATIVE PROCEDURES WITHIN THEIR RESPECTIVE DEFENSE PROCUREMENT ORGANIZATIONS TO ACHIEVE AND MAINTAIN THE AGREED-UPON BALANCE OF RECIPROCAL DEFENSE PURCHASES.

B. THE GOVERNMENTS WILL IDENTIFY AND NOMINATE FOR CONSIDERATION BY EACH OTHER ITEMS OF DEFENSE EQUIPMENT BELIEVED SUITABLE TO SATISFY THEIR RESPECTIVE REQUIREMENTS. THE GOVERNMENTS WILL DECIDE BETWEEN THEM, TO WHICH ITEMS OF DEFENSE EQUIPMENT PURCHASES THIS MEMORANDUM OF UNDERSTANDING (MOU) WILL APPLY AND WHETHER THE ITEMS MAY BE PROCURED ON A GOVERNMENT-TO-GOVERNMENT OR GOVERNMENT-TO-INDUSTRY BASIS.

C. THE DETAILED IMPLEMENTING PROCEDURES TO BE ARRANGED WILL INCORPORATE THE FOLLOWING:

(I) OFFERS WILL BE EVALUATED WITHOUT APPLYING PRICE DIFFERENTIALS UNDER BUY-NATIONAL LAWS AND REGULATIONS CONSISTENT WITH CONFIDENTIAL

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NATIONAL LAWS AND REGULATIONS.

(II) OFFERS WILL BE EVALUATED WITHOUT THE COST OF IMPORT DUTIES, AND PROVISION WILL BE MADE FOR DUTY FREE ENTRY CERTIFICATES AND RELATED DOCUMENTATION.

(III) FULL CONSIDERATION WILL BE GIVEN TO ALL QUALIFIED SOURCES IN EACH OTHER'S COUNTRY IN ACCORDANCE WITH THE POLICIES AND CRITERIA OF THE PURCHASING OFFICE.

(IV) OFFERS WILL BE REQUIRED TO SATISFY REQUIREMENTS FOR PERFORMANCE, QUALITY, DELIVERY, AND COST.

D. TO FACILITATE PRODUCTION PROGRAMS SET UP IN IMPLEMENTATION OF THIS MOU, THE GOVERNMENTS UNDERSTAND THAT SUBJECTS TO THEIR ESTABLISHED POLICIES, PROCEDURES, REGULATIONS AND SUBJECT TO PRIVATELY OWNED PROPRIETARY RIGHTS, EACH GOVERNMENT WILL, SO FAR AS IT IS ABLE, WITHOUT INCURRING OBLIGATIONS TO OTHERS, ARRANGE FOR RELEASE TO THE OTHER AND TO ITS AGENTS OF INFORMATION AND TECHNOLOGY NECESSARY FOR THE PURPOSES OF SUCH FACILITATION.

E. THE GOVERNMENTS, THROUGH THEIR APPROPRIATE REPRESENTATIVE, WILL CONSULT CONCERNING ANY PROBLEMS WHICH MAY INHIBIT THE EFFICIENT OPERATION OF THIS ARRANGMENT. SUCH CONSULTATIONS WILL BE CONDUCTED ON THE BASIS OF SECTION B OF THIS MOU.

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NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

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#### SECTION B: IMPLEMENTATION MACHINERY

1. BOTH GOVERNMENTS UNDERSTAND THAT DETAILED IMPLEMENTING PROCEDURES NEED TO BE CONSIDERED AND DECIDED UPON IN ORDER TO CARRY OUT THE PROVISIONS OF THIS MOU. REPRESENTATIVES OF THE GOVERNMENTS WILL BE APPOINTED TO DEVELOP A COORDINATED PROGRAM OF SUCH IMPLEMENTING PROCEDURES, AND TO DISCUSS PROCUREMENT AND PRODUCTION NEEDS OF THE GOVERNMENTS. THESE REPRESENTATIVES WILL MEET AS REQUIRED.

2. THE DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY, UNDER THE POLICY GUIDANCE OF THE ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS), AND IN COORDINATION WITH THE DIRECTOR, DEFENSE RESEARCH AND ENGINEERING, THE ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS) AND OTHER DOD OFFICES WILL BE THE FOCAL POINT IN THE US GOVERNMENT FOR THE DEVELOPMENT OF AN OVERALL COORDINATED PROGRAM OF IMPLEMENTING PROCEDURES UNDER THIS MOU. THE DIRECTOR, DEFENSE RESEARCH AND ENGINEERING WILL BE RESPONSIBLE FOR MATTERS UNDER THIS MOU TOUCHING UPON RESEARCH, DEVELOPMENT, TEST AND EVALUATION AS THEY RELATE TO BILATERAL CONFIDENTIAL

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ARRANGEMENTS FOR JOINT MILITARY DEVELOPMENT. THE ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS) WILL BE RESPONSIBLE FOR MANAGING PROCUREMENT AND PRODUCTION MATTERS UNDER THIS MOU ON A CONTINUING BASIS, IN COORDINATION WITH OASD(ISA), DSAA AND OTHER APPROPRIATE DOD OFFICES.

3. THE HEAD OF DEFENSE SALES, MOD, UNDER THE POLICY GUIDANCE OF THE MINISTER OF STATE FOR DEFENCE, AND IN CONSULTATION, AS APPROPRIATE WITH THE CHAIRMAN AND MEMBERS OF THE MOD DEFENCE EQUIPMENT POLICY COMMITTEE, WILL BE RESPONSIBLE ON THE UK SIDE FOR THE DEVELOPMENT OF AN OVERALL COORDINATED PROGRAM OF IMPLEMENTING PROCEDURES UNDER THIS MEMORANDUM OF UNDERSTANDING.

SECTION C: INDUSTRIAL PARTICIPATION

1. EACH GOVERNMENT WILL BE RESPONSIBLE FOR BRINGING TO THE ATTENTION OF THE DEFENSE INDUSTRIES WITHIN ITS COUNTRY, THE BASIC UNDERSTANDING OF THIS MOU, TOGETHER WITH APPROPRIATE GUIDANCE ON ITS IMPLEMENTATION.

2. IMPLEMENTATION OF THIS MOU WILL INVOLVE FULL INDUSTRIAL PARTICIPATION. ACCORDINGLY, THE GOVERNMENTS WILL ARRANGE THAT THEIR RESPECTIVE PROCUREMENT AND REQUIREMENTS OFFICES WILL BE MADE FAMILIAR WITH THE PRINCIPLES AND OBJECTIVES OF THIS MOU. NOTWITHSTANDING THE GOVERNMENTAL PROCEDURES TO FACILITATE IMPLEMENTATION, IT WILL BE THE BASIC RESPONSIBILITY OF INDUSTRY IN EACH COUNTRY TO ISOLATE, IDENTIFY, AND ADVISE ITS GOVERNMENT OF CAPABILITIES AND TO CARRY OUT THE SUPPORTING ACTIONS TO BRING INDUSTRIAL PARTICIPATION TO CONSUMMATION.

SECTION D: TERMINATION

1. THIS MOU WILL BE TERMINATED ON 1 JANUARY 1985 UNLESS THE GOVERNMENTS MUTUALLY DECIDE OTHERWISE.

2. IF, HOWEVER, EITHER GOVERNMENT CONSIDERS IT NECESSARY FOR COMPELLING NATIONAL REASONS TO DISCONTINUE ITS PARTICIPATION UNDER THIS MOU BEFORE 1 JANUARY 1985, ANY PROPOSAL FOR TERMINATION WILL BE THE SUBJECT OF IMMEDIATE CONSULTATION WITH THE OTHER GOVERNMENT TO ENABLE THE GOVERNMENTS FULLY TO EVALUATE THE CONSEQUENCES OF SUCH TERMINATION.

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SECTION E: FURTHER COOPERATION

ANNEXES SUBSEQUENTLY NEGOTIATED BY THE RESPONSIBLE OFFICES AND ENDORSED BY APPROPRIATE GOVERNMENTAL AUTHORITIES WILL FORM AN INTEGRAL PART OF THIS MEMORANDUM OF UNDERSTANDING.

SECTION F: EFFECTIVE DATE

THIS MEMORANDUM OF UNDERSTANDING WILL COME INTO OPERATION UPON SIGNATURE BY THE GOVERNMENTS.

SIGNED IN DUPLICATE AT LONDON THIS .....DAY OF SEPTEMBER 1975  
END TEXT OF MOU. STREATOR

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<< END OF DOCUMENT >>

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